

LAURENS MUNICIPAL LIGHT AND POWER PLANT
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

DECEMBER 31, 2008 AND 2007

LAURENS MUNICIPAL LIGHT AND POWER PLANT

LAURENS, IOWA

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LAURENS MUNICIPAL LIGHT AND POWER PLANT

LAURENS, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brad Olsen	Trustee	April, 2009
Robert O. Braesch	Trustee	April, 2011
Richard Main	Trustee	April, 2013

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Laurens Municipal Light and Power Plant
Laurens, Iowa

We have audited the accompanying balance sheets of Laurens Municipal Light and Power Plant, a component unit of City of Laurens, as of and for the years ended December 31, 2008 and 2007 and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laurens Municipal Light and Power Plant as of December 31, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2009 on our consideration of Laurens Municipal Light and Power Plant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 8, and 21 through 22, are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

June 16, 2009

Hunzelman, Putzier & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Laurens Municipal Light and Power Plant provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2008. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Utility's operating revenues increased 6%, or \$127,613, from 2007 to 2008.
- The Utility's operating expenses were 6%, or \$137,676, less in 2008 than in 2007.
- The Utility's net assets increased 4 %, or \$199,017, from December 31, 2007 to December 31, 2008.

USING THIS ANNUAL REPORT

Laurens Municipal Light and Power Plant is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Laurens Municipal Light and Power Plant's financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Utility's financial activities.
- The Balance Sheets present information on the Utility's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.
- The Statements of Revenues, Expenses and Changes in Net Assets are the basic statement of activities for proprietary funds. This statement presents information on the Utility's operating revenues and expenses, non-operating revenues and expenses, and whether the Utility's financial position has improved or deteriorated as a result of the year's activities.
- The Statements of Cash Flows present the change in the Utility's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utility financed its activities and how it met its cash requirements.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE UTILITY

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Utility's financial position. The Utility's net assets for 2008 totaled approximately \$4,970,000. This compares to approximately \$4,771,000 for 2007. A summary of the Utility's net assets is presented below.

	<u>2008</u>	<u>2007</u>
Current assets	\$ 1,739,428	\$ 1,429,358
Other assets	1,341,412	1,458,685
Capital assets at cost, less accumulated depreciation	<u>3,662,363</u>	<u>3,833,892</u>
Total assets	<u>6,743,203</u>	<u>6,721,935</u>
Current liabilities	888,331	729,933
Non-current liabilities	<u>885,302</u>	<u>1,221,449</u>
Total liabilities	<u>1,773,633</u>	<u>1,951,382</u>
Net assets:		
Invested in capital assets, net of related debt	2,487,061	2,407,443
Restricted	270,826	396,281
Unrestricted	<u>2,211,683</u>	<u>1,966,829</u>
Total net assets	<u>\$ 4,969,570</u>	<u>\$ 4,770,553</u>

A portion of the Utility's net assets (45%) are unrestricted and can be used to meet the Utility's obligations as they come due. The invested in capital assets (50%, e.g., land, buildings, and equipment), less the related debt are resources allocated to capital assets. The restricted net assets (5%) represent resources that are subject to restrictions as required by the electric revenue bond resolution.

FINANCIAL ANALYSIS OF THE UTILITY – (Continued)

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for the sale of electrical energy. Operating expenses are expenses paid to operate the Utility. Non-operating revenues and expenses are primarily for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended December 31, 2008, is presented below:

	<u>Changes in Net Assets</u>	
	<u>2008</u>	<u>2007</u>
Operating revenues:		
Sales of electrical energy	\$ 2,232,221	\$ 2,114,762
Other operating revenues	<u>201,565</u>	<u>191,411</u>
	<u>2,433,786</u>	<u>2,306,173</u>
Operating expenses:		
Cost of power	1,335,810	1,520,049
Depreciation and amortization	389,076	366,329
Administrative and general expense	241,235	224,807
Transmission expense	61,722	57,884
Distribution expenses - maintenance	55,310	52,351
Distribution expenses - operations	64,498	58,628
Taxes	28,958	33,571
Customers' accounts expense	<u>11,608</u>	<u>12,274</u>
Total operating expenses	<u>2,188,217</u>	<u>2,325,893</u>
Operating income (loss)	245,569	(19,720)
Non-operating revenue and expense:		
Revenues from merchandising	25,860	32,480
Costs of merchandising	<u>17,738</u>	<u>26,410</u>
Gross profit	8,122	6,070
Interest earned on investments	96,985	125,152
Amortization of bond issue costs	(2,212)	(2,406)
Interest expense	(68,983)	(79,012)
Deferred patronage allocation	<u>3,114</u>	<u>6,802</u>
Non-operating income	<u>37,026</u>	<u>56,606</u>
Change in net assets	282,595	36,886
Net assets, beginning of year	4,770,553	4,865,089
Less: Residual equity transfer to City - funding	(50,000)	(100,000)
Residual equity transfer to City - donation	<u>(33,578)</u>	<u>(31,422)</u>
Net assets, end of year	<u>\$ 4,969,570</u>	<u>\$ 4,770,553</u>

The Statements of Revenues, Expenses and Changes in Net Assets reflect a positive year with an increase in the net assets from 2007 to 2008.

The Utility's operating revenues increased 6%, or \$127,613, from 2007 to 2008 because of a rate increase that was effective in March of 2008.

The Utility's operating expenses decreased 6%, or \$137,676, from 2007 to 2008 because our power costs were down. The Utility was basically a net seller of excess resources in 2008

FINANCIAL ANALYSIS OF THE UTILITY – (Continued)

Statements of Cash Flows

The Statements of Cash Flows presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital and related financing, and investing activities. Cash provided by operating activities includes charges for service reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase and construction of utility plant. Cash used by investing activities includes purchase and sale of certificates of deposits and interest income.

CAPITAL ASSETS

At December 31, 2008, the Utility had approximately \$3,662,000 invested in capital assets, net of accumulated depreciation of approximately \$5,970,000. Depreciation charges totaled \$384,232 for 2008. More detailed information about the Utility's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

At December 31, 2008, the Utility had \$1,210,000 in debt outstanding, a decrease of \$225,000 from 2007. The table below summarizes outstanding debt by type.

	<u>2008</u>	<u>2007</u>
1998 Electric revenue bonds	<u>\$ -</u>	<u>\$ 1,435,000</u>
2008 Electric refunding notes	<u>\$ 1,210,000</u>	<u>\$ -</u>

Additional information about the Utility's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The current condition of the economy in the state continues to be a concern for Utility officials. Some of the realities that may potentially become challenges for the Utility to meet are:

- Facilities at the Utility require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- With our customers increasing load requirements and the age of Neal 4 Generation Plant, securing additional base load power is an ongoing challenge.
- There is the potential of new legislation by the Federal and/or State legislature to establish Green Energy and Energy Efficiency requirements for all electric utilities.

CONTACTING THE UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laurens Municipal Power and Communications Utility, 272 N. Third Street, Laurens, Iowa.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
BALANCE SHEETS
DECEMBER 31, 2008 AND 2007

Exhibit A

	<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
<u>UTILITY PLANT</u>			
Utility plant in service		\$ 9,492,542	\$ 9,393,108
Construction in progress		<u>139,222</u>	<u>32,955</u>
		9,631,764	9,426,063
Less accumulated depreciation		<u>5,969,401</u>	<u>5,592,171</u>
Total net capital assets		<u>3,662,363</u>	<u>3,833,892</u>
<u>OTHER ASSETS</u>			
Plant acquisition costs - net of amortization of \$96,878 in 2008 and \$92,034 in 2007		15,984	20,829
Notes receivable - non-current portion		556,597	563,425
Common transmission system - capital improvement fund		243,257	221,021
NIMECA - emissions funds		3,546	-
Investments		200,000	200,000
Bond issuance costs - net of amortization of \$809 in 2008 and \$22,858 in 2007		7,601	16,642
Bond improvement fund		100,000	100,000
Bond reserve fund		143,500	273,500
Bond retirement sinking fund		27,326	22,781
Deferred patronage refund receivable		<u>43,601</u>	<u>40,487</u>
Total other assets		<u>1,341,412</u>	<u>1,458,685</u>
<u>CURRENT ASSETS</u>			
Cash and cash equivalents		27,326	-
Temporary cash investments		856,500	700,000
Accounts receivable (less provision for doubtful accounts of \$16,000 in 2008 and \$11,000 in 2007)		328,992	317,625
Notes receivable - current portion		7,420	7,066
Joint use contract receivable		175,000	175,000
Inventories		271,492	151,310
Accrued interest receivable		42,434	42,420
Prepaid expenses		<u>30,264</u>	<u>35,937</u>
Total current assets		<u>1,739,428</u>	<u>1,429,358</u>
Total assets		<u>\$ 6,743,203</u>	<u>\$ 6,721,935</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
BALANCE SHEETS
DECEMBER 31, 2008 AND 2007

Exhibit A
(Continued)

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
<u>LONG-TERM DEBT, LESS CURRENT MATURITIES</u>		
Electric revenue bonds - net (note 4)	<u>\$ 885,302</u>	<u>\$ 1,221,449</u>
<u>CURRENT AND ACCRUED LIABILITIES</u>		
Current maturities of revenue bonds	290,000	205,000
Due to communications utility	383,684	322,746
Accounts payable	132,610	126,870
Customer deposits	27,166	18,557
Other current and accrued liabilities	<u>54,871</u>	<u>56,760</u>
Total current and accrued liabilities	<u>888,331</u>	<u>729,933</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	2,487,061	2,407,443
Restricted	270,826	396,281
Unrestricted - designated	246,803	221,021
Unrestricted	<u>1,964,880</u>	<u>1,745,808</u>
Total net assets	<u>4,969,570</u>	<u>4,770,553</u>
Total liabilities and net assets	<u>\$ 6,743,203</u>	<u>\$ 6,721,935</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Exhibit B

	<u>2008</u>	<u>2007</u>
<u>OPERATING REVENUES</u>	<u>\$ 2,433,786</u>	<u>\$ 2,306,173</u>
<u>OPERATING EXPENSES</u>		
Cost of power	1,335,810	1,520,049
Depreciation and amortization	389,076	366,329
Administrative and general expense	241,235	224,807
Transmission expense	61,722	57,884
Distribution expenses - maintenance	55,310	52,351
Distribution expenses - operations	64,498	58,628
Taxes	28,958	33,571
Customers' accounts expense	11,608	12,274
Total operating expenses	<u>2,188,217</u>	<u>2,325,893</u>
Operating income (loss)	245,569	(19,720)
<u>NON-OPERATING REVENUE AND EXPENSE</u>		
Revenues from merchandising	25,860	32,480
Costs of merchandising	<u>17,738</u>	<u>26,410</u>
Gross profit	8,122	6,070
Interest earned on investments	96,985	125,152
Amortization of bond issue costs	(2,212)	(2,406)
Interest expense	(68,983)	(79,012)
Deferred patronage allocations	<u>3,114</u>	<u>6,802</u>
Non-operating income	<u>37,026</u>	<u>56,606</u>
Change in net assets	282,595	36,886
Net assets, beginning of year	4,770,553	4,865,089
Less: Residual equity transfer to City – activity funding	(50,000)	(100,000)
Residual equity transfer to City - donation	<u>(33,578)</u>	<u>(31,422)</u>
Net assets, end of year	<u>\$ 4,969,570</u>	<u>\$ 4,770,553</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Exhibit C

	<u>2008</u>	<u>2007</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from customers	\$ 2,426,028	\$ 2,257,134
Cash paid to suppliers for goods and services	(1,674,429)	(1,785,617)
Cash paid to employees for services	(227,831)	(229,720)
Net cash provided by operating activities	<u>523,768</u>	<u>241,797</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Advances from telecommunications utility	60,938	53,712
Payments to city	(83,578)	(131,422)
Net cash used in non-capital financing activities	<u>(22,640)</u>	<u>(77,710)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition and construction of utility plant	(212,703)	(352,720)
Payment of bond costs	(8,409)	-
Principal paid on bonds	(1,660,000)	(195,000)
Bond proceeds received	1,416,345	-
Interest paid on bonds	(63,775)	(77,338)
Net cash used in capital and related financing activities	<u>(528,542)</u>	<u>(625,058)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investments matured or sold	1,043,500	1,350,000
Purchase of investments	(1,225,782)	(1,102,061)
Collections on notes receivable	6,474	6,745
Sale of resale merchandise	25,860	32,480
Purchase of resale merchandise	(17,738)	(26,410)
Interest received	96,971	129,198
Patronage dividends received	-	1,497
Release of restricted investments	130,000	-
Purchase of restricted cash	(4,545)	(86)
Net cash provided by investing activities	<u>54,740</u>	<u>391,363</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	27,326	(69,608)
Cash and cash equivalents at beginning of year	<u>-</u>	<u>69,608</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 27,326</u>	<u>\$ -</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Exhibit C
(Continued)

	<u>2008</u>	<u>2007</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH</u> <u>PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating income (loss)	<u>\$ 245,569</u>	<u>\$ (19,720)</u>
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	389,076	366,329
Provisions for bad debts	5,000	6,000
Changes in assets and liabilities:		
Increase in accounts receivable	(16,367)	(47,822)
Increase in inventory	(120,181)	(13,409)
Decrease (increase) in prepaid expenses	5,673	(9,141)
Increase (decrease) in accounts payable	5,740	(36,120)
Increase (decrease) in other liabilities	<u>9,258</u>	<u>(4,320)</u>
Total adjustments	<u>278,199</u>	<u>261,517</u>
Net cash provided by operating activities	<u>\$ 523,768</u>	<u>\$ 241,797</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Laurens Municipal Light and Power Plant is a component unit of City of Laurens. The Mayor appoints the trustees of the Utility subject to approval by the City Council. The City Council also approves the Utility's operating budget.

Laurens Municipal Light and Power Plant generates and distributes electric energy to consumers in Laurens, Iowa. Sales of electricity are billed on the twenty-fifth of each month for usage through the fifteenth of the month. As has been done in prior years, an unbilled receivable in the amount of \$102,272 has been recorded (\$80,243 at December 31, 2007) for the period December 15 through December 31. Laurens Municipal Light and Power Plant is billed by their suppliers on a calendar month basis.

The Utility's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standard Board.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reporting Entity

For financial reporting purposes, Laurens Municipal Light and Power Plant has included all funds. The Utility has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utility are such that exclusion would cause the Utility's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Utility. Laurens Municipal Light and Power Plant has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of Laurens Municipal Light and Power Plant are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Measurement Focus and Basis of Accounting - (Continued)

The Utility applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash, Investments, and Cash Equivalents - Investments are carried at cost which approximates market value. For the purpose of reporting cash flows, cash and cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Inventories - Inventories are stated at the lower of cost or replacement value. Cost is determined on a weighted average method.

Utility Plant - Utility plant is stated at cost. Cost of labor, materials, supervision, and other costs incurred making improvements and replacements to the system, except minor replacements, are charged to the plant accounts while such costs incurred in making normal repairs, minor replacements, and maintaining the assets in efficient operating condition are charged to expense.

Provisions for depreciation of generating, transmission, and distribution plant are computed on a straight-line basis employing a group method. The original costs of assets retired (not constituting the sale of an operating unit or system) together with the costs of removal less salvage are charged to the related accumulated depreciation accounts. In accounting for the sale of operating units or systems, gains or losses are reflected in net revenue.

Provisions for depreciation of general plant are computed on a straight-line basis employing the unit depreciation method. The original cost of property retired is removed from the general plant accounts and the related accumulated depreciation accounts are charged for the depreciation taken to date. Gain or loss is recognized to the extent that the salvage value of the assets retired exceeds or falls short of the remaining book value of the assets retired.

Amortization - The cost of acquiring a portion of the common transmission system is being amortized over the remaining useful life of the assets.

Legal fees and other expenses associated with the issuance of the electric revenue notes are being amortized on the straight-line method over the term of the bonds. Amortization charged to expense in 2008 and 2007 was \$2,212 and \$2,406.

Compensated Absences - Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Utility's liability for accumulated vacation has been computed based on rates of pay in effect at December 31, 2008.

Budgets and Budgetary Accounting - The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended December 31, 2008 expenses did not exceed the amount budgeted.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

2. DEPOSITS

The Utility's deposits in banks at December 31, 2008, were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the Utility had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$502,652 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The Utility's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utility.

The Utility had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement Number 3, as amended by Statement 40.

3. PLANT AND DEPRECIATION PROCEDURES

Listed below are the major classes of plant as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Land and land rights	\$ 80,559	\$ 79,912
Generating plant	2,488,006	2,484,523
Transmission plant	1,064,935	1,065,117
Transmission plant - Corn Belt	1,222,348	1,164,294
Distribution plant	1,794,848	1,784,321
Communication plant	2,548,036	2,523,803
Other equipment	<u>293,810</u>	<u>291,138</u>
Plant in service	<u>\$ 9,492,542</u>	<u>\$ 9,393,108</u>

Provision for depreciation and amortization has been computed at straight-line rates over the estimated useful lives of the property.

Included in construction in progress is \$97,660 which the Utility has invested in the generating facilities at Sutherland Generating Station Unit 4. Construction of this facility has been terminated. The Utility is attempting to negotiate a return of some of these funds but at this time it is impossible to determine when that may happen or to estimate the amount they may receive.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

4. ELECTRIC REVENUE BONDS

Following is a summary of changes in the electric revenue bonds for the year ended December 31, 2008:

	Balance December 31, 2007	Issued	Paid	Balance December 31, 2008
1998 Electric revenue bonds	\$ 1,435,000	\$ -	\$ 1,435,000	\$ -
2008 Electric refunding notes	-	1,435,000	225,000	1,210,000
Subtotal	1,435,000	1,435,000	1,660,000	1,210,000
Less: Current maturities	(205,000)			(290,000)
Unamortized discount	(8,551)			(15,761)
Unamortized refunding charges	-			(18,937)
	<u>\$ 1,221,449</u>			<u>\$ 885,302</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31,	Revenue Bonds		Total
	Principal	Interest	
2009	\$ 290,000	\$ 37,913	\$ 327,913
2010	300,000	29,937	329,937
2011	305,000	20,937	325,937
2012	315,000	11,025	326,025
	<u>\$ 1,210,000</u>	<u>\$ 99,812</u>	<u>\$ 1,309,812</u>

The resolutions providing for the issuance of revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to electric revenue sinking account for the purpose of making the bond principal and interest payments when due.
- C. The Utility is to establish a separate Bond Reserve Account into which there shall be set apart and paid at the time of delivery of the obligations the sum of \$143,500.
- D. Additional monthly transfers of \$2,000 to the Bond Improvement Fund shall be made until the sum of \$100,000 has been accumulated. This account is restricted for the purpose of paying for necessary repairs, improvements, and extension to the system.

In August 2008 the Utility issued \$1,435,000 of electric refunding capital loan notes for a current refunding of \$1,435,000 of electric revenue bonds of the Utility. The refunding was undertaken to lower the interest cost to the Utility. The reacquisition price exceeded the net carrying amount of the old debt by \$22,414. This amount is being netted against the new debt and amortized over the new debt's life, which is shorter than the refunded debt. The transaction resulted in an economic gain of \$41,204 and a reduction of \$127,500 in future debt service payments.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

5. RESTRICTED AND DESIGNATED NET ASSETS

Net assets have been restricted and designated in amounts necessary to fund the following specific reserves:

	<u>2008</u>	<u>2007</u>
Restricted:		
Bond retirement sinking fund	\$ 27,326	\$ 22,781
Bond reserve fund	143,500	273,500
Bond improvement fund	<u>100,000</u>	<u>100,000</u>
	<u>\$ 270,826</u>	<u>\$ 396,281</u>
Unrestricted:		
Designated:		
NIMECA emissions fund	\$ 3,546	\$ -
Common transmission system - capital improvement fund	<u>243,257</u>	<u>221,021</u>
	246,803	221,021
Undesignated	<u>1,964,880</u>	<u>1,745,808</u>
	<u>\$ 2,211,683</u>	<u>\$ 1,966,829</u>

6. NOTES RECEIVABLE

On January 1, 2004, the Utility received a note for \$194,025 in exchange for the construction of a 69/12.5 KV substation for the City of Marathon. The note requires monthly payments of \$1,288 including interest of 5.00% through February 2024. On March 24, 2006 the Utility loaned \$400,000 to Laurens Industrial Foundation, Inc. to be used for economic development within the city. The terms of the note are interest only for the first five years with the principal balance due March 24, 2010.

7. COMMON TRANSMISSION SYSTEM – CAPITAL IMPROVEMENT FUND

This account is currently used to record funds deposited with NIMECA to be used for future construction and/or maintenance of the common transmission.

8. PENSION AND RETIREMENT BENEFITS

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% (3.90% through June 30, 2008) of their annual covered salary and the Utility is required to contribute 6.35% (6.05% through June 30, 2008) of annual covered payroll. Contribution requirements are established by State statute. The Utility's contribution to IPERS for the years ending December 31, 2008, 2007, and 2006, were \$12,138, \$12,188, and \$10,015, respectively, equal to the required contributions for each year.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

9. RISK MANAGEMENT

Laurens Municipal Light and Power Plant is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. SIGNIFICANT AREA CONCENTRATION OF CREDIT RISK

The Utility extends credit to its customers on terms no more favorable than standard terms of the industry it serves. A substantial portion of the Utility's customers are located in Laurens, Iowa. The Utility's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

11. RELATED PARTY TRANSACTION

Pursuant to Iowa Code Chapter 28E.18 concerning the joint use of facilities through sharing agreements, the Laurens Municipal Light and Power Plant and the Laurens Municipal Broadband Communications Utility have entered into an agreement whereby the Communications Utility shall pay the Electric Utility the sum of \$175,000 on or before the first day of June each year for the use of a portion of the Communications distribution system for the previous calendar year. The term of this agreement is forty years and the payments are due June 1, of each year.

REQUIRED SUPPLEMENTARY INFORMATION

LAURENS MUNICIPAL LIGHT AND POWER PLANT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2008

	<u>Actual</u>	<u>Budgeted Amounts</u>	<u>Actual to Budget Variance</u>
Revenues:			
Use of money and property	\$ 96,985	\$ 100,000	\$ (3,015)
Charges for services	2,248,122	2,185,000	63,122
Miscellaneous	<u>214,638</u>	<u>225,000</u>	<u>(10,362)</u>
	2,559,745	2,510,000	49,745
Expenses	<u>2,277,150</u>	<u>2,460,000</u>	<u>(182,850)</u>
Net	282,595	50,000	232,595
Net assets, beginning of year	4,770,553	4,865,089	(94,536)
Residual equity transfer to City – funding	(50,000)	(50,000)	-
Residual equity transfer to City – donation	<u>(33,578)</u>	<u>-</u>	<u>(33,578)</u>
Net assets, end of year	<u>\$ 4,969,570</u>	<u>\$ 4,865,089</u>	<u>\$ 104,481</u>

See accompanying independent auditor's report.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
DECEMBER 31, 2008

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

The Utility's budget was not amended during the year and expenses did not exceed the amount budgeted.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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Board of Trustees
Laurens Municipal Light and Power Plant
Laurens, Iowa

The primary purpose of our examination was to formulate an opinion on the financial statements taken as a whole. The additional information presented in the following pages was prepared on the basis of audit procedures applied in our examination of the financial statements. This information, while not considered necessary for fair presentation of the financial statements is, in our opinion, fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

June 16, 2009

Hunzelman, Putzier & Co.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2007 Total</u>
<u>OPERATING REVENUES</u>				
Sales of electrical energy:				
Residential	\$ 683,048	\$ -	\$ 683,048	\$ 645,355
Commercial	894,523	-	894,523	911,709
Resale	564,815	-	564,815	463,335
Marathon	89,835	-	89,835	94,363
Forfeited discounts	4,269	-	4,269	4,567
Sales of steam	11,632	-	11,632	11,536
Miscellaneous	10,664	-	10,664	308
Joint use agreement	-	175,000	175,000	175,000
Total operating revenue	<u>2,258,786</u>	<u>175,000</u>	<u>2,433,786</u>	<u>2,306,173</u>
<u>OPERATING EXPENSES</u>				
Purchased energy	<u>942,464</u>	<u>-</u>	<u>942,464</u>	<u>1,147,025</u>
Generating plant - local:				
Operating supervision and labor	24,067	-	24,067	23,024
Fuel	1,999	-	1,999	4,765
Operating supplies	607	-	607	689
Maintenance and repairs	2,628	-	2,628	556
Buildings and grounds maintenance and repairs	8,337	-	8,337	5,973
Depreciation	3,930	-	3,930	3,930
Total local generating plant expenses	<u>41,568</u>	<u>-</u>	<u>41,568</u>	<u>38,937</u>
Generating plant - Neal 4:				
Fuel	231,700	-	231,700	222,475
Maintenance and repairs	58,777	-	58,777	48,081
Operating	51,282	-	51,282	53,173
Property taxes	24,948	-	24,948	31,224
Depreciation	63,827	-	63,827	62,767
Other	13,949	-	13,949	14,288
Total Neal 4 generating plant expenses	<u>444,483</u>	<u>-</u>	<u>444,483</u>	<u>432,008</u>
Distribution system - electric:				
Line and station supervision and labor	15,611	-	15,611	12,715
Line and station supplies and expense	2,799	-	2,799	1,052
Street lighting and signals labor and expense	125	-	125	1,059
Customers' installation expense	14,862	-	14,862	14,129
Miscellaneous distribution expense	2,577	-	2,577	1,982
Maintenance of lines	24,176	-	24,176	28,200
Maintenance of line transformers	5,262	-	5,262	1,793
Maintenance of street lighting and signal systems	2,768	-	2,768	8,174
Maintenance of meters	5,069	-	5,069	1,910
Depreciation	47,967	-	47,967	49,533
Total electric distribution expense	<u>121,216</u>	<u>-</u>	<u>121,216</u>	<u>120,547</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2007 Total</u>
<u>OPERATING EXPENSES - (Continued)</u>				
Distribution system - communications:				
Line and station supervision labor	\$ -	\$ 937	\$ 937	\$ 957
Operating supplies and expense	-	3,341	3,341	4,364
Customers' installation expense	-	24,246	24,246	22,370
Line maintenance	-	1,777	1,777	3,563
Nodes, amps, and peds maintenance	-	13,989	13,989	6,925
Voice port maintenance	-	2,269	2,269	1,786
Property taxes	-	4,010	4,010	2,347
Depreciation expense	-	200,384	200,384	177,012
Total communications				
distribution expense	-	250,953	250,953	219,324
Transmission system:				
Amortization	4,844	-	4,844	4,844
Depreciation	59,575	-	59,575	59,006
Capacity assignment costs	26,072	-	26,072	26,347
Other	35,650	-	35,650	31,537
Total transmission system expenses	126,141	-	126,141	121,734
Customers' accounts expense:				
Bad debt expense (recoveries)	4,887	-	4,887	6,000
Meter reading labor	6,721	-	6,721	6,274
Total customer accounts expense	11,608	-	11,608	12,274
Administrative and general expense:				
Administrative and general salaries	79,893	-	79,893	77,956
Conservation expense	6,451	-	6,451	11,002
Office supplies and postage	10,833	-	10,833	8,248
Audits, legal, and consultation services	20,842	-	20,842	11,196
Property insurance	10,133	-	10,133	9,759
Compensation insurance	4,367	-	4,367	4,134
Employees' group insurance	33,294	-	33,294	26,630
Trustees' fees	900	-	900	900
Dues and subscriptions	4,632	-	4,632	5,010
Franchise requirements - cash				
payments to City of Laurens	30,000	-	30,000	30,000
Franchise requirement - cost of				
services to City of Laurens	18,113	-	18,113	15,064
Legal publications	1,813	-	1,813	2,123
Advertising and promotion	1,989	-	1,989	2,370
Convention, meeting, and travel expense	2,414	-	2,414	1,424
Depreciation	8,549	-	8,549	9,237
Bank service charges	457	-	457	271
Motor vehicle and work equipment expense	10,298	-	10,298	12,456
Miscellaneous	4,806	-	4,806	6,264
Total administrative and general expense	249,784	-	249,784	234,044
Total operating expense	1,937,264	250,953	2,188,217	2,325,893
Operating income (loss)	321,522	(75,953)	245,569	(19,720)

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2007 Total</u>
<u>NON-OPERATING REVENUE AND</u>				
<u>EXPENSE</u>				
Revenues from merchandising			\$ 25,860	\$ 32,480
Costs of merchandising			<u>17,738</u>	<u>26,410</u>
Gross profit			8,122	6,070
Interest earned on investments			96,985	125,152
Amortization of bond issue costs			(2,212)	(2,406)
Interest expense			(68,983)	(79,012)
Deferred patronage allocations			<u>3,114</u>	<u>6,802</u>
Non-operating income			<u>37,026</u>	<u>56,606</u>
Net income			<u>\$ 282,595</u>	<u>\$ 36,886</u>

LAURENS MUNICIPAL LIGHT AND POWER PLANT
ELECTRIC PLANT
DECEMBER 31, 2008

Schedule 1

	Utility Plant				Depreciation Rate	Accumulated Depreciation				
	Balance January 1, 2008	Additions	Transfers	Deletions		Balance January 1, 2008	Expense	Transfers	Retirements	
<u>Generating Plant - Local</u>										
Land and land rights	\$ 6,000	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Structures and improvements	93,899	-	-	-	3.25	84,537	3,052	-	-	87,589
Fuel holders, producers and accessories	29,273	-	-	-	3.00	14,645	878	-	-	15,523
Generators	305,326	-	-	-	3.00	305,326	-	-	-	305,326
Accessory equipment	76,083	-	-	-	3.00	76,083	-	-	-	76,083
	<u>510,581</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>480,591</u>	<u>3,930</u>	<u>-</u>	<u>-</u>	<u>484,521</u>
<u>Generating Plant - Neal 4</u>										
Land and land rights	3,047	-	-	-	0.00	-	-	-	-	-
Structures and improvements	267,127	631	-	188	3.25	229,805	8,689	-	188	238,306
Boiler plant equipment	1,206,743	5,242	182	1,044	3.25	960,473	39,290	-	1,044	998,719
Generators	276,020	-	-	-	3.00	211,899	8,281	-	-	220,180
Accessory equipment	201,426	(870)	-	-	3.00	164,036	6,030	-	-	170,066
Miscellaneous power plant equipment	16,575	928	-	281	3.25	13,609	549	-	281	13,877
Other equipment	12,051	207	-	1,324	3.25	336	988	-	1,324	-
	<u>1,982,989</u>	<u>6,138</u>	<u>182</u>	<u>2,837</u>		<u>1,580,158</u>	<u>63,827</u>	<u>-</u>	<u>2,837</u>	<u>1,641,148</u>
<u>Transmission Plant - Local</u>										
Land and land rights	2,759	-	-	-	0.00	-	-	-	-	-
Station equipment	900,273	-	-	-	2.60	381,763	23,407	-	-	405,170
	<u>903,032</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>381,763</u>	<u>23,407</u>	<u>-</u>	<u>-</u>	<u>405,170</u>
<u>Transmission Plant - Other</u>										
Land and land rights	5,634	-	-	-	0.00	-	-	-	-	-
Structures and improvements	3,938	-	-	-	3.25	3,118	128	-	-	3,246
Station equipment	83,534	-	(182)	-	2.60	38,808	2,170	-	-	40,978
Towers and fixtures	60,885	-	-	-	2.75	42,132	1,674	-	-	43,806
Conductors and devices	16,487	-	-	-	2.75	11,990	453	-	-	12,443
	<u>170,478</u>	<u>-</u>	<u>(182)</u>	<u>-</u>		<u>96,048</u>	<u>4,425</u>	<u>-</u>	<u>-</u>	<u>100,473</u>
<u>Transmission Plant - Corn Belt</u>										
Land and land rights	61,417	647	-	-	0.00	-	-	-	-	-
Structures and improvements	960,929	60,425	-	2,371	2.75	386,309	27,224	-	2,482	411,051
Original local line	39,008	-	-	-	2.75	39,008	-	-	-	39,008
West sub tie line	122,816	-	-	-	2.75	103,942	3,377	-	-	107,319
Marathon substation	41,541	-	-	-	2.75	3,997	1,142	-	-	5,139
	<u>1,225,711</u>	<u>61,072</u>	<u>-</u>	<u>2,371</u>		<u>533,256</u>	<u>31,743</u>	<u>-</u>	<u>2,482</u>	<u>562,517</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT

ELECTRIC PLANT
DECEMBER 31, 2008Schedule 1
(Continued)

	Utility Plant					Depreciation Rate	Accumulated Depreciation			
	Balance January 1, 2008	Additions	Transfers	Deletions	Balance December 31, 2008		Balance January 1, 2008	Expense	Transfers	Retirements
<u>Distribution System</u>										
Land and land rights	\$ 1,055	\$ -	\$ -	\$ -	\$ 1,055	0.00%	\$ -	\$ -	\$ -	\$ -
Structures and improvements	11,525	-	-	-	11,525	2.50	10,115	288	-	-
Station equipment	37,085	-	-	-	37,085	2.90	37,085	-	-	-
Poles, towers and equipment	6,843	-	-	-	6,843	3.25	6,744	99	-	-
Overhead conductors and devices	-	-	-	-	-	2.50	-	-	-	-
Underground conduits	2,395	-	-	-	2,395	2.60	2,362	33	-	-
Underground conductors and devices	6,888	-	-	-	6,888	2.60	5,946	179	-	-
Line transformers	422,861	-	-	-	422,861	2.80	173,013	11,840	-	-
Services	15,314	-	-	-	15,314	3.30	13,984	505	-	-
Meters	104,460	3,238	-	-	107,698	3.10	64,648	3,288	-	-
Installation on customers premises	2,674	-	-	-	2,674	4.00	2,135	107	-	-
Street lighting and signal system	85,610	-	-	-	85,610	4.00	85,610	-	-	-
Underground primary systems	727,284	8,736	-	1,447	734,573	2.90	123,950	21,197	-	1,447
Underground secondary systems	156,035	-	-	-	156,035	2.90	114,604	4,525	-	-
Underground customer service	203,646	-	-	-	203,646	2.90	149,181	5,906	-	-
Fire siren	212	-	-	-	212	4.00	212	-	-	-
Special services for customers	1,489	-	-	-	1,489	4.00	1,489	-	-	-
	<u>1,785,376</u>	<u>11,974</u>	<u>-</u>	<u>1,447</u>	<u>1,795,903</u>		<u>791,078</u>	<u>47,967</u>	<u>-</u>	<u>1,447</u>
<u>Other Equipment</u>										
Structures and improvements	55,008	-	-	-	55,008	2.5-5.0	14,914	2,011	-	-
Office furniture and fixtures	32,387	2,672	-	-	35,059	6.7-20.0	26,873	2,021	-	-
Transportation equipment	29,360	-	-	-	29,360	10.0-14.3	29,360	-	-	-
Stores equipment	497	-	-	-	497	5.0	497	-	-	-
Shop equipment	17,944	-	-	-	17,944	3.3-20.0	17,478	74	-	-
Laboratory equipment	19,561	-	-	-	19,561	5.0-10.0	15,284	1,048	-	-
Work equipment	113,499	-	-	-	113,499	5.0-20.0	80,797	3,152	-	-
Communication equipment	21,593	-	-	-	21,593	5.0-10.0	21,350	243	-	-
Miscellaneous equipment	1,289	-	-	-	1,289	20.0	1,289	-	-	-
	<u>291,138</u>	<u>2,672</u>	<u>-</u>	<u>-</u>	<u>293,810</u>		<u>207,842</u>	<u>8,549</u>	<u>-</u>	<u>-</u>
<u>Communication Distribution System</u>										
Conduit	64,486	-	-	-	64,486	5.00	28,092	3,224	-	-
Fiber and cable	810,524	-	-	-	810,524	5.00	304,451	40,526	-	-
Power supplies	292,933	-	-	-	292,933	14.29	292,933	-	-	-
Nodes	162,078	10,333	-	-	172,411	10.00-20.0	93,894	22,532	-	-
Amps	293,288	-	-	-	293,288	10.00-20.0	215,604	34,662	-	-
Pedestals	77,337	-	-	-	77,337	10.00-20.0	63,471	8,451	-	-
Voice ports	671,980	13,900	-	-	685,880	10.00-20.00	448,617	74,376	-	-
System passives	93,367	-	-	-	93,367	10.00-20.0	48,635	13,722	-	-
Head end building	57,810	-	-	-	57,810	5.00	25,908	2,891	-	-
	<u>2,523,803</u>	<u>24,233</u>	<u>-</u>	<u>-</u>	<u>2,548,036</u>		<u>1,521,605</u>	<u>200,384</u>	<u>-</u>	<u>-</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
ELECTRIC PLANT
DECEMBER 31, 2008

Schedule 1
(Continued)

	Utility Plant				Depreciation Rate	Accumulated Depreciation				Balance December 31, 2008
	Balance January 1, 2008	Additions	Transfers	Deletions		Balance January 1, 2008	Expense	Transfers	Retirements	
Total electric plant in service	\$ 9,393,108	\$ 106,089	\$ -	\$ 6,655		\$ 5,592,341	\$ 384,232	\$ -	\$ 6,766	\$ 5,969,807
Construction in progress	32,955	106,267	-	-		(170)	-	-	236	(406)
Total utility plant	\$ 9,426,063	\$ 212,356	\$ -	\$ 6,655		\$ 5,592,171	\$ 384,232	\$ -	\$ 7,002	\$ 5,969,401

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

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KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Laurens Municipal Light and Power Plant
Laurens, Iowa

We have audited the accompanying financial statements of Laurens Municipal Light and Power Plant, as of and for the year ended December 31, 2008, and have issued our report thereon dated June 16, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Utility's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Utility's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Utility's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Utility's financial statements that is more than inconsequential will not be prevented or detected by the Utility's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Utility's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Utility's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Utility's responses, we did not audit the responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Laurens, Iowa and other parties to whom Laurens Municipal Light and Power Plant may report. This report is not intended to be and should not be used by anyone other than these specified parties.

June 16, 2009

Hunglman, Putzier & Co.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2008

Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The Board of Trustees along with the General Manager will review the financial statements and internal control procedures, in detail, every month. The duties of opening the mail, bank deposits, recording receipts and disbursements, bank reconciliations, and payroll preparation will be monitored daily by the General Manager. The Utility will continue to require two signatures on all check disbursements.

Conclusion - Response accepted.

- (B) Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for Utility board members to make management decisions, reporting financial data reliably in accordance with U.S. generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response - The Utility will work to obtain additional training for our staff in order to improve our ability to prepare reliable monthly financial statements. The Utility will continue to work with our auditors on a monthly basis in order to keep our records up to date.

Conclusion - Response accepted.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2008

Other Findings Related to Statutory Reporting

1. Budget – Disbursements during the year ended December 31, 2008 did not exceed the amounts budgeted.
2. Questionable Expenditures - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of Utility money for travel expenses of spouses of Utility officials or employees were noted.
4. Business Transactions - We noted no business transactions between the Utility and Utility officials or employees.
5. Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Trustee Minutes - No transactions were found that we believe should have been approved in the Trustee minutes but were not.
7. Revenue Bonds - The Utility has established the sinking and reserve accounts required by the electric revenue bond resolution.
8. Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.